

**ORIGINAL**  
**OPEN MEETING**

**MEMORANDUM**  
Arizona Corporation Commission  
**DOCKETED**



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**RECEIVED**

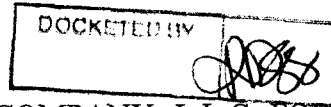
TO: THE COMMISSION

FROM: Utilities Division

**FEB 3 2011**

2011 FEB -3 P 3: 50

DATE: February 3, 2011



AZ CORP COMMISSION  
DOCKET CONTROL

RE: SAHUARITA WATER COMPANY, L.L.C. FOR AN OPINION AND ORDER OF THE COMMISSION (i) DETERMINING THE FAIR VALUE OF THE UTILITY PROPERTY FOR RATEMAKING PURPOSES, (ii) FIXING A JUST AND REASONABLE RATE OF RETURN THEREON, (iii) APPROVING RATES AND CHARGES DESIGNED TO PRODUCE REVENUES SUFFICIENT TO RECOVER COST OF SERVICE AND AUTHORIZED RATE OF RETURN, AND (iv) PROVIDING FOR THE RECOVERY OF CERTAIN FINANCINGS AND OPERATING EXPENSES THROUGH A SURCHARGE AND A PASS-THROUGH TARIFF, RESPECTIVELY (DOCKET NO. W-03718A-09-0359)

**Introduction**

At the Open Meeting of February 1-2, 2011, the Arizona Corporation Commission ("Commission") authorized Sahuarita Water Company, LLC ("Sahuarita" or "Company") to implement, after Commission approval, a Central Arizona Groundwater Replenishment District ("CAGR") adjustor fee for its Tucson Active Management Area ("AMA"), subject to the conditions recommended by Staff.

**Calculation of the CAGR Adjustor Fee**

At the February 2, 2011, Open Meeting, the Commissioners agreed that the collection period for the CAGR adjustor fee should begin on March 1, 2011. Since the implementation date only provides for seven (7) months of recovery in the initial recovery year, the Commissioners determined that any under collection in the initial year should be included in the amount recognized for recovery in the following year. Staff's calculation of the initial CAGR adjustor fee is shown below.

Tucson AMA

The initial CAGR fee is calculated by dividing the total CAGR fees for 2009 by the gallons sold in the year. The CAGR invoice to the Company for the 2009 annual replenishment assessment for the Tucson AMA totaled \$200,489 (Water Replenishment, \$82,429; Administrative, \$20,209; Infrastructure, \$69,666; and Replenishment Reserve, \$28,185) for 532 acre-feet of excess groundwater. The Company in its 2009 annual report filed with the Arizona Corporation Commission indicates that it sold 509,132 thousand gallons of water to customers. Staff's calculation of the CAGR adjustor fee is shown below. The fee for a customer in the Tucson AMA is \$0.394 per 1,000 gallons.

A      Total CAGR Fees

\$ 200,489

B	Total Gallons Sold (1,000s)	509,132
C	Charge per 1,000 gallons (A ÷ B)	\$ 0.394

**Staff Conclusions and Recommendations**

Staff recommends approval of the CAGR D adjustor fees as described herein.

Staff recommends that the Company file, within 7 days of a Decision in this matter, a CAGR D adjustor fee tariff consistent with the rates approved herein.

Staff recommends that the Company notify its customers of the CAGR D adjustor fee tariff approved herein within 30 days from the effective date of the Decision.

Staff recommends that the CAGR D adjustor fees authorized herein become effective for all billings beginning March 1, 2011.



Steven M. Olea  
Director  
Utilities Division

SMO:JMM:lhmm\WVC

ORIGINATOR: Jeffrey M. Michlik

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**BEFORE THE ARIZONA CORPORATION COMMISSION**

GARY PIERCE  
Chairman  
BOB STUMP  
Commissioner  
SANDRA D. KENNEDY  
Commissioner  
PAUL NEWMAN  
Commissioner  
BRENDA BURNS  
Commissioner

IN THE MATTER OF THE APPLICATION  
OF SAHUARITA WATER COMPANY,  
L.L.C. FOR AN OPINION AND ORDER OF  
THE COMMISSION (i) DETERMINING  
THE FAIR VALUE OF THE UTILITY  
PROPERTY FOR RATEMAKING  
PURPOSES, (ii) FIXING A JUST AND  
REASONABLE RATE OF RETURN  
THEREON, (iii) APPROVING RATES AND  
CHARGES DESIGNED TO PRODUCE  
REVENUES SUFFICIENT TO RECOVER  
COST OF SERVICE AND AUTHORIZED  
RATE OF RETURN, AND (iv) PROVIDING  
FOR THE RECOVERY OF CERTAIN  
FINANCINGS AND OPERATING  
EXPENSES THROUGH A SURCHARGE

DOCKET NO. W-03718A-09-0359  
DECISION NO. \_\_\_\_\_  
ORDER

Open Meeting  
March 1 and 2, 2011  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

**A. Introduction**

1. At the Open Meeting of February 1-2, 2011, the Arizona Corporation Commission  
("Commission") authorized Sahuarita Water Company, LLC ("Sahuarita" or "Company") to  
implement, after Commission approval, a Central Arizona Groundwater Replenishment District  
("CAGR") adjustor fee for its Tucson Active Management Area ("AMA"), subject to the  
conditions recommended by Staff.

**B. Calculation of the CAGRD Adjustor Fees**

2. At the February 2, 2011 Open Meeting, the Commissioners agreed that the collection period for the CAGRD adjustor fee should begin on March 1, 2011. Since the implementation date only provides for seven (7) months of recovery in the initial recovery year, the Commissioners determined that any under collection in the initial year should be included in the amount recognized for recovery in the following year. Staff's calculation of the initial CAGRD adjustor fee is shown below.

**Tucson AMA**

3. The initial CAGRD fee is calculated by dividing the total CAGRD fees for 2009 by the gallons sold in the year. The CAGRD invoiced to the Company for the 2009 annual replenishment assessment for the Tucson AMA totaled \$200,489 (Water Replenishment, \$82,429; Administrative, \$20,209; Infrastructure, \$69,666; and Replenishment Reserve, \$28,185) for 532 acre-feet of excess groundwater.

4. The Company in its 2009 annual report filed with the Arizona Corporation Commission indicates that it sold 509,132 thousand gallons of water to customers.

5. Staff's calculation of the CAGRD adjustor fee is shown below. The fee for a customer in the Tucson AMA is \$0.394 per 1,000 gallons.

A	Total CAGRD Fees	\$ 200,489
B	Total Gallons Sold (1,000s)	509132
C	Charge per 1,000 gallons (A ÷ B)	\$ 0.394

**CONCLUSIONS OF LAW**

1. The Company is a public water service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. 40-250 and 40-252.

2. The Commission has jurisdiction over the Company and the subject matter of the application.

3. Approval of the proposed CAGRD adjustor fees is consistent with the Commission's authority under the Arizona Constitution, Arizona ratemaking statutes, and applicable case law.

1           4.     It is in the public interest to approve the Company's request for implementation of  
2 the CAGR D adjustor fees as discussed herein.

3                               ORDER

4           IT IS THEREFORE ORDERED that the CAGR D adjustor fee for Sahuarita Water  
5 Company, LLC shall be \$0.394 per 1,000 gallons for all customer billings beginning March 1,  
6 2011.

7           IT IS FURTHER ORDERED that the CAGR D fee shall be shown as a separate line item  
8 on customers bills.

9           IT IS FURTHER ORDERED that Sahuarita Water Company, LLC docket with the  
10 Commission as a compliance matter, within seven (7) days of the effective date of this Decision, a  
11 CAGR D adjustor fee tariff consistent with the rate approved herein.

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1 IT IS FURTHER ORDERED that Sahuarita Water Company, LLC shall notify its  
2 customers of the CAGR D adjustor fee approved herein within 30 days of the effective date of this  
3 Decision.

4 IT IS FURTHER ORDERED that this Decision become effective immediately.

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6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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CHAIRMAN

COMMISSIONER

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11 \_\_\_\_\_  
COMMISSIONER

COMMISSIONER

COMMISSIONER

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13 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,  
14 Executive Director of the Arizona Corporation Commission,  
15 have hereunto, set my hand and caused the official seal of  
16 this Commission to be affixed at the Capitol, in the City of  
17 Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

18 \_\_\_\_\_  
ERNEST G. JOHNSON  
19 EXECUTIVE DIRECTOR

20 DISSENT: \_\_\_\_\_

21  
22 DISSENT: \_\_\_\_\_

23 SMO:JMM:lhmm\WVC  
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1 SERVICE LIST FOR: Sahuarita Water Company, LLC  
2 DOCKET NO. W-03718A-09-0359

3 Mr. Lawrence V. Robertson, Jr.  
4 Post Office Box 1448  
5 Tubac, Arizona 85646

6 Mr. Steven M. Olea  
7 Director, Utilities Division  
8 Arizona Corporation Commission  
9 1200 West Washington Street  
10 Phoenix, Arizona 85007

11 Ms. Janice M. Alward  
12 Chief Counsel, Legal Division  
13 Arizona Corporation Commission  
14 1200 West Washington Street  
15 Phoenix, Arizona 85007  
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